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## **INTERNATIONALIZATION STRATEGY OF ORIGAMA TO BRAZIL**

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## Index

Abstract.....	3
Purpose and Methodology.....	3
The Firm – Origama .....	3
The product - Origama Chaise Longue.....	4
Origama’s value chain .....	4
Portuguese Market .....	5
Competitors .....	6
Where Origama makes the difference.....	8
Client profile.....	8
Origama's positioning in Portugal.....	8
SWOT analysis in Portuguese market.....	8
Key Success Factors of Origama in Portugal.....	9
Analysis of Brazil.....	10
Market Potential - Entry into Rio de Janeiro.....	11
Rio de Janeiro residents profile .....	12
Competitors .....	13
Key success factors and Critical Issues at Rio de Janeiro .....	15
Barriers & Solutions .....	16
Modes of entry .....	17
Implementation Plan.....	18
Segmentation and Target Market .....	20
Positioning.....	20
Marketing Strategy.....	21
Marketing Mix .....	21
Product .....	21
Pricing .....	22
Placement.....	23
Promotion.....	24
Milestones.....	25
Controls, risk analysis and contingency plan .....	26
Conclusion and recommendations.....	26

## Abstract

This work project studies Origama and its internationalization process to Brazil, specifically to Rio de Janeiro. Origama is a Portuguese start up succeeding in the beach products market and aiming to expand to international markets, in the quest for growth and sustainability. The key success factors in the domestic market were identified and compared with the foreign factors in order to investigate what were the barriers to entry and possible solutions to overcome them. The market research conducted aims at understanding the suitability of their product in the Brazilian culture and thus to determine the best mode of entry and develop a marketing strategy.

**Keywords:** Internationalization, Rio de Janeiro, Origama, beach products

## Purpose and Methodology

The main purpose is to give Origama a detailed study about their best way to introduce their product, the Origama Chaise Longue, in the Brazilian market. Concerning structure, this work project begins with an analysis of Origama's performance in Portugal and its success factors, followed by the application of such findings in Rio de Janeiro to potentiate their success. Regarding methodology, the first step was to analyse where they are now, identifying which factors led to their success in Portugal. Secondly, an analysis of the Brazilian market was performed, including opportunities and barriers, especially in Rio de Janeiro, which is the city where the company wants to go first. Finally, an implementation and marketing plan was developed that recommends how the firm should enter the target market. The study involves a market research, using a quantitative survey to find out current user's behaviour and satisfaction as well as, an in-depth interview and concept test to understand potential consumers.

## The Firm – Origama<sup>i</sup>

Created in 2012, Origama is a Portuguese brand that has brought an innovative concept to a well-known product – beach towels – combining three functions, that of a chair, that of a towel and that of a chaise longue into one single product, easy to carry, to assemble and to use.

The company, which at the moment is operating solely in Portugal, seeks to improve both comfort and utility to consumers while they enjoy the outdoors, especially beaches. The firm is environmentally aware, ensuring that their textile products are eco friendly by Oeko-Tex certificate<sup>ii</sup>, allowing its customers to participate in the welfare of the planet.

### **The product - Origama Chaise Longue**

The first product was Origama Chaise Longue (patent design registration model number 20121000067872). To a simple beach towel were added two pine wood sticks connected by a screw, forming an X shape that is then buried in the sand. Finally the towel has two extremities that fit into with the two upper ends of the sticks. The result is a chaise longue in the sand, in which the user can adopt different positions according to their needs. The towel, exclusively made in Portugal, is 100% cotton certified and supported by two sticks of pine. The two components are easily assembled and disassembled and also very convenient to carry. The towel is designed to wrap around the sticks and with two handles it can be carried on the shoulders, like a bag. The towel can also be used for other purposes when not seated on the sticks. An extra feature can be added to the Origama Chaise Longue - a back pocket (35 cm x 26 cm) can be sewn to one of the towel ends allowing the user to carry all the objects they need, just as if it were carry a wallet.

### **Origama's value chain<sup>1</sup>**

The cotton for the towel and the back pocket are supplied and manufactured in a textile factory near Guimarães, North of Portugal. A different factory transforms the fabrics to reach the desired format, with two bent corners to fix the towel on the sticks. The raw material of the sticks is supplied for a factory in Santarém that also gives the required final shape to the longue's structure. The packaging is produced by another factory, located in Lisbon. The distribution of both towel and sticks from the factory to the warehouse is carried out by a

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<sup>1</sup> Refer to appendix 1

transportation firm and from the warehouse to the showroom and other retailer's partners is done by the Origama team using their own transport.

Consumers can then view the product in: Origama's website (online channel), in their showroom located in Lisbon<sup>2</sup>, in six retailers outlets as well as in exhibitions, beach campaigns and surfing competitions.

Their communication channels are the mass media mail, website<sup>3</sup>, Facebook page, partner's outlets, promotion campaigns on the beach and road shows, and events like Lisbon fashion night out 2013.

The services channels involved are a warehouse, transportation firm services, bank services, insurance and government support to recruit interns.

### **Portuguese Market**

The main objectives are to analyse the Portuguese market where Origama operates as well as its size and opportunities, in order to identify which macroeconomic factors that influence the firm's performance. Because Origama Chaise Longue consists in an accessory to the beach, the target market is people who go to Portuguese beaches.

The size of this market can be estimated through some statistical data, with a few logical extrapolations. Considering that Portugal has approximately 10 million inhabitants, which 50.2%<sup>iii</sup> of the population went on vacation during the summer. Of this number, 86%<sup>iv</sup> chose to stay in Portugal, with the region of Algarve being the top destination (69%). From this we can estimate that during the summer 2013, approximately 4.317.200<sup>4</sup> Portuguese went to the beach. Additionally, there are foreign tourists that visit to Portuguese beaches. According with INE's statistical studies, 4.077.128 tourists visited Portugal during summer months<sup>v</sup> (from May to

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<sup>2</sup> Av. Álvaro Pais, Entrecampos

<sup>3</sup> [site.origama-inc.com/](http://site.origama-inc.com/)

<sup>4</sup>  $10,000,000 \times 0.502 \times 0.86 = 4,317,200$

September), mainly to stay in Algarve and Lisbon. Therefore, in numbers, there are 8,394,328<sup>5</sup> potential consumers that compose the market for beach products.

However there are other factors that characterize the Portuguese market that may appear as either an opportunity or a threat for Origama: the economy, seasonal fluctuations, social and environmental trends, and the role of internet and social media, which are summarized in figure 1 and more detailed in appendix 3.

Economy	GDP real growth of -3.2%; unemployment rate of 15.7%; less income available.
Geography	943 km coastline at Continent, Mediterranean climate, seasonality fluctuations.
Social Responsibility	Healthy lifestyle trend, preference in natural and eco-friendly products, second hand consumption.
Internet role	From 60% of population that access internet, 75% uses Facebook. E-commerce opportunity.

**Figure 1: Macroeconomic factors affecting Origama. See appendix 3**

### Competitors

The Origama Chaise Longue is a commodities included in the fabrics sector as a beach accessory. Because the product combines, at the same time, the utility of a beach bath towel, a beach chair and a chaise longue, there are no direct competitors. However, if we consider all three products separately, we will find few competitors that met the needs of those consumers that go to the beach. This analysis identifies not just competition in these different needs but it also identifies behaviours that affect the company's performance.

### Beach towels market

Available in supermarkets and sports shops (such as Decathlon, Sport zone, Continente, Jumbo, Oshyo, Benetton) – selling towels with a rectangular format and a variety of fabrics such as polyester, cotton, and microfiber, at a low price, just before the summer season starts. Other bikinis retailers, such as Oshyo, Intimissimi, Calzedonia, Women's secret, provide colourful,

<sup>5</sup> 4,317,200 + 4,077,128 = 8,394,328

fashionable beach towels in their summer collection. Blue man, Benetton, and other retailers for men, sell high quality beach towels.

**Vertty**<sup>vi</sup> is a very recent brand, one hundred percent Portuguese, like Origama. Their mission is to “create a unique beach towel”, reinventing the design of this ubiquitous product. The final product is a towel with triangles and novel features, such as the composition of the material, larger size, waterproof pocket, a choice of 9 colours and a sophisticated style which adds value to the product. The towel is made from special material named ketten, 30% lighter than cotton. The distribution channels are a website for online sales and a mobile showroom, a van. This product is targeted for those who see the beach as an escape from the crazy life in the city, for those you care about style, sophistication, and the environment. Positioned as premium product, costing 69.90€.

#### Beach chairs

This type of product is available to consumers in hypermarkets, sports stores (Decathlon, Sport zone), and small stores in a wide variety of colours, formats and designs at an accessible price.

#### Beach Pillows

**Caia**<sup>vii</sup> is a small handmade beach pillow to provide a more comfortable sunbathing experience. The founder of this brand came up with this idea as she needed a quality and good looking pillow to use in a beach day. This product doesn't deliver the same value to consumers as Origama. However, they could be said to compete in terms of style and fashion ability as a beach accessory.

Chaise Longue - Usually, in private beaches, there are chaise longues available to hotel clients.

This type of beach is more frequent in the Algarve.

Those who don't take anything to the beach- there isn't a market competitor however this behaviour makes Origama worthless and so can be considered as “competition”.

### Where Origama makes the difference

Where Origama makes the difference is in its easy availability, as well as its versatility (its design, its durability, packaging, etc.) When compared to the average beach towel, Origama offers multi-functionality; it can also be used as a deck-chair and a chaise longue. It is more versatile than a deck-chair or a real chaise longue. Origama is available in more selective outlets than any other than its competitors. Surf shops, beach events, Facebook and other on-line sites. Compared to other trendy brands, such as Vertty, recent brands within the same market, offering certified, eco-friendly products, Origama is perceived by consumers as being better value for money than Vertty, due both to Origama's unique concept and a relatively lower price.

### Client profile

Research<sup>6</sup> has shown that most Origama clients are women, in the 26-45 age range, living in Lisbon. Their reason for choosing Origama is that they can change the position of the longue to suit themselves, whether for simple comfort, reading a book, talking to friends, or simply lying in the sun. It's easy to carry, as opposed to walking around with towels and deck-chairs, and this is appreciated by Origama users. Younger women, in special, state that style and the sophistication of the product are two attributes that motivated their purchase.

### Origama's positioning in Portugal

*"For those who pursue a healthy lifestyle and who are able to appreciate new ideas and original products, Origama is a beach accessory, a "must", with a unique design, a 2 x 2 beach towel and deck-chair which allows for the most comfortable of positions on any beach. 100% cotton, eco-friendly, certified."*

### SWOT analysis in Portuguese market

Strengths	Weaknesses
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<sup>6</sup> See appendix 13.1



Unique patented design product Satisfy consumers needs a superior level Environmentally friendly Ease of use Extremely high customer satisfaction Sales team motivation	Lack of brand awareness Seasonality of the product Single product company Lack of business plan Lack of organizational structure Inexistence of both market research and marketing planning
<b>Opportunities</b>	<b>Threats</b>
Potential of textiles market Fashion trends Tourism sector growth Frequent international events in surfing and other water sports Greater value given to open spaces (such as parks and beaches) as a cheap alternative to cultural events (cinema, theatre, etc.)	Financial instability of the country Contraction of private consumption mainly with leisure and cultural expenses; Entry of new competitors in the market – emergence of small businesses; Short product life cycle

### **Key Success Factors of Origama in Portugal**

Having concluded the market research, the critical factors which led to Origama's success were identified.

#### **The product meets two real consumers' needs at the beach**

First is the need to relax and take a rest; and secondly, the chance to sit and lie down without making contact with the sand. These two needs are already being met by existing products. The success of Origama is due to the **product's innovative features and a superior delivery of benefit**, creating a **unique experience for the user**. The combination of both towel and chair in a single product design, which is both light and stylish are definite advantages relative to its competitors, and appreciated by consumers. Creating different values for different segments

Portuguese youth, especially young women, **value a trendy bikini**, as they **like to draw attention** to themselves and to be the first person in their social group to use a new beach accessory. In fact, new Portuguese brands of bikinis – small brands that offer exclusive models at a premium price – are being given ever greater prominence in the social media.

For Portuguese adults aged above 40 years, the main interests and **activities is to read a book or just relax**, often using a beach chair to achieve these ends. In this case, Origama stands as substitute for the chair, providing other superior benefits, such as light weight and facility to

carry. This is why clients of this age group ranked the comfort given by the Origama Chaise Longue when reading as the most important of the Longue's qualities.

Also the Portuguese **families take many things for the beach**: beach bag, lunch box, a sun hat, towel, chair, kids' toys, surfboards and other entertainment accessories. Carrying fewer objects was identified as an overwhelming necessity, a key factor where Origama has an advantage over its competitors providing people the benefit of reducing the number of objects transported.

#### Motivated sales team

In this case the founders were critical for their success in sales. As "ambassadors" of the brand, they have reached potential consumers in an expedient manner, going from beach to beach, directly addressing the customer, inviting them to try out the product.

#### Patent for design exclusivity

It may be considered a critical factor for success, protecting the product from imitations. Indeed, they have a product design which is unique in the world. Effective communication channels, as they have now, are what create a perception of differentiation and thus value to potential and existing customers.

#### Critical Issues

Even with huge international opportunities a critical issue is, not to lose focus on national expansion, as there is a huge, unexplored national market. Distribution channels and product accessibility through new partnerships, such as sport and house outlets, are ways to increase market share.

#### **Analysis of Brazil**

Located in South of America, Brazil is the trading powerhouse in this continent. Internationally it is a member of numerous economic organizations, such as WTO (January 1<sup>st</sup>, 1995), Mercosur and G20<sup>viii</sup> and a member of CLPL (The Community of Lusophone Nations). The official currency is the Real (R\$) and its exchange rate eur/real is 3.1946 Brazilian Real.<sup>ix</sup>

The country is ranked in the top ten largest economies in the world, with a GDP of US \$2.394 trillion<sup>x</sup>. In the early 1990's, significant macroeconomic reforms were undertaken leading to productivity gains and consequently, labour conditions have improved, unemployment records have hit a historical low and the income inequality has been decreasing throughout the last few years. Brazilians' purchasing power has increased a so-called new middle class of 20 million has emerged moving quickly up the social ladder. Known as a well-developed country in terms of agriculture, mining and the services sectors, it is the eight-largest steel producer, and has a highly developed manufacturing sector, producing a wide range of products including machinery, aircraft, cars and telecommunication equipment. Moreover Brazil benefits from a diversity of natural resources and assets spread across the country.

According to the Textile and Garment Industry Association (ABIT) Brazil is the fifth largest producer of textile and beauty products in the world, the second largest producer of denim and the third largest cotton producer. The increase of purchasing power has boosted the domestic textile consumption, mainly for cotton products. In fact, the industry's revenues registered a growth of 9.24% in 2010 and investments grew by more than 100%<sup>xi</sup>. The size and the growth of the market is a huge opportunity for Origama.

#### **Market Potential - Entry into Rio de Janeiro**

With the second largest GDP in Brazil<sup>xii</sup> and with the third largest metropolitan area in South America, Rio de Janeiro is the capital city of the State of Rio de Janeiro. IBGE estimates a population of 6,429,923<sup>xiii</sup> million people living in Rio de Janeiro city in 2013, and 15,993,583 people in the State, according the last census in 2010<sup>xiv</sup>.

Tourism accounts for a significant part of the GDP of the city with an ever-increasing share. In 2012, the city received around 1,164,187 international tourists<sup>7</sup> and 69,715,000 national tourists (of the 191.000.000 annual national tourists 36.5% go to Rio de Janeiro). Then, according to

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<sup>7</sup> Refer to "Arrivals of tourists to Brazil" in appendix 5

Ministry of Brazilian Tourism studies, the percentage of tourists seeking sun and beaches was 64.2% in 2012<sup>8</sup>, which means approximately 45.504.439 tourists going to the beach<sup>9</sup>.

Then, there are other external factors in this market to take in account, economic factors, geographic and climacteric factors, social factors, the communications and internet role in consumption, and legal and tax issues of Brazil, summarized in the following table and more detailed in appendix 7.

Economy	Second largest GDP in Brazil Main economic sectors: oil, energy and telecommunication.
Geography	Coastline along 200 km, forming sandy beaches.Tropical Savannah climate,no seasonality.
Social Context	Wealth inequalities, emergence of a new middle class, 81.45% of pop. belong to classes A, B, C.
Internet role	Internet users have been increasing. E-commerce as a solution to reach isolated consumers.
Taxes	Heavy taxation: protectionism through high import taxes, IPI, PIS, Cofins and ICMS.

Figure 2: Macroeconomic factors in Rio de Janeiro. See appendix 3.

### Rio de Janeiro residents profile

Through an indebt interview technique (more detailed in appendix 13.2) was made an investigation of Residents in Rio de Janeiro identity, behaviour and lifestyle:

**The beach as part of their culture** - All the residents refer to their “love” for the beach, the sea and its environment. The reasons to go to the beach are usually the same: to relax, to meet friends, to sunbathe and to practice some sport. It’s more than a place; it’s a social meeting point. In Rio the Janeiro, many beaches are free and accessible to everyone, regardless of their income, class or age. All Students say that even during the week they use some hours to go to the beach. On other hand, those who work throughout the week see it as a “must” to go to the beach at weekends. Residents go to the beach the whole year round. In the summer, the beaches are crowded despite of being the season when it rains the most. In the winter season, the days are also hot and drier.

<sup>8</sup> Refer to appendix 6

<sup>9</sup>  $(1,164,187 + 69,715,000) \times 64.2\% = 45,504,438.05$

**Mean of transportation** - The most beaches are Copacabana, Ipanema, Leblon and Barra da Tijuca. These are easily accessible by bus, metro or on foot. Those who live near the beach opt to go on foot, by bike or skateboard; that lives further choose the bus or subway depending on the availability of public transports. On the weekend is usual to go to more distant beaches by car or bus.

**With whom** – Most people spend their day at the beach with friends. Even if they go alone, they are bound to meet a group of friends. When some just want to read and relax in a few hours they go alone and for little time have a quick stay. The weekend is the best time to socialize on the beach.

**In beaches at the heart of the city**, women usually take to the beach a bag containing a “canga”, sunscreen, sunglasses, a book in some cases, the cell phone and some money. For men, it is not usual to carry anything, just their cell phone and some money. Because they don’t bring a “canga” as women do, it’s common for a man to rent a deckchair, for the whole day. Although, the man who walk to the beach, some carries his own deckchair. However, these beaches are very dynamic and busy. There are people practising all kinds of sports, on the water, on the sand and at the street such as surf, kitsurf, paddle, volley ball, “altinha”, “fresco ball”, beach tennis, skate, etc. When the motivation is to practise some sport, both men and women prefer not to take, just the sports equipment.

Unlike Portuguese, people there don’t have the habit of taking food or drink to the beach since there are a plenty of ambulant vendors selling a wide variety of food and beverages. On other hand, when people go to **beaches distant from the urban zones** which the access is only possible by car or bus, usually prefer to take their own chair, a sunshade and some food, because in these locals these goods are much more expensive.

### **Competitors**

Cangas/ Pareos (Brazilian beach towels)

Canga is made of material different from bathing towels, which is lighter and less absorbent. There are few companies producing this product, but there are several retailers, typically outlets, online outlets and ambulant vendors. According to the market research (Appendix 13.3), the majority of users of cangas have no brand awareness.

**Bali Blue**<sup>xv</sup> is the oldest Brazilian company that designs, produces and commercializes “cangas” for all States of Brazil, to France, Italy and Argentina. The stamp is designed in Brazil, produced by a partner in Indonesia and then imported to Rio de Janeiro where Bali Blue already distributes eight hundred thousand items per year through retailers<sup>xvi</sup>. Nowadays, the company is focused on wholesaling, which represents 98% of their business and the remaining 2% are from direct sales to consumers at prices between R\$26 and R\$34. They have enlarged their product line, selling also beach hats and sandals.

**Rio de Sol** is a fashion swimwear brand inspired on Brazilian culture. The factory that creates and produces is located in Rio de Janeiro and delivers for all States of Brazil as well as exports to countries such France, USA, Japan, Israel, and Portugal among many others. The company also works in partnership with Rosset Group, the largest textile group in Latina America<sup>xvii</sup>. Moreover, they claim to be socially responsible with regards to their workers and to the impact of their industrial activity on the environment.

**CocoBeach** is a small brand of Brazilian beach towels stamped with the name of the city or a beach to remember the holidays. The products are drawn in France and produced in Bali (Indonesia).

#### Beach chairs

Available to purchase online (websites)<sup>10</sup> and offline stores (stores with camping and beach articles). Chairs are also available for rent at the beaches. This kind of chair is made of

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<sup>10</sup> See appendix 11

aluminium and allows five different inclinations. At Rio de Janeiro, the price of renting a chair for a day can vary between three to seven Brazilian reais (R\$).

#### Chaise longue<sup>11</sup>

This kind of object is not available to rent in public beaches of Rio de Janeiro. However, in more private beaches (in Niterói, Búzios between others), is possible to find a few.

#### Kiosks

Every beach at Rio de Janeiro has at least one kiosk. In the case of urban beaches, kiosks are distant about 100 metres from each other. It's usual to find these types of establishments full of people that go to the beach but don't like to stay on the sand.

### **Key success factors and Critical Issues at Rio de Janeiro**

#### No seasonality

The tropical climate means that the beach is popular throughout the year, which is an advantage for Origama. Even with a high season in the summer months (December to March), Origama Chaise Longue should be sold the whole year round.

#### Beach usage and culture

Due to the climate and its accessibility, beaches are the central point in the city for both residents and tourists. For Cariocas, or Rio residents, it is a must for relaxing at weekends, a social meeting point and a sports arena. Their activities on the beach such as talking with friends and sunbathing represent an opportunity for Origama. Performing a canga or a chair, Origama Chaise Longue would satisfy the beach user's need, of being in the sand without contact with it.

#### Youth population

Youth represent a large demographic part of Brazilian population. Youth people are the ones that go more to the beach. They are also those who have less money to spend in renting deck chairs.

#### Emergence of a middle class with purchasing power<sup>xviii</sup>

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<sup>11</sup> See appendix 12

According IBGE, in 2011 social class C, the middle class, grew by 19.5%, representing 54% of the population. Also classes A and B grew 7.8% and classes D and E decreased by 27.3% This means that at least 35% rose in economic terms, with a new, emerging class of Brazilians with purchasing power to consume goods and services. The growth of a new social class creates more and different needs from those from classes A and B, representing huge opportunities for new types of business and products. Those are consumers demanding for the best quality/price trade off. A more detailed table is resented in appendix 8.

#### Extremely high import taxes that influence the final price

The imports to Brazil are subject of extremely high taxes, turning them unfeasible for most of the products or services and Origama's products are not an exception. Besides this, the firm would face a complex system of bureaucracy and of tax calculations, which is very instable and risky. An imports tax simulation for Origama Chaise Longue is present in appendix14.3. Thus, the only alternative is to produce locally. Brazil is a leading country in the textile industry and a leading producer of raw materials as wood and cotton. They have infrastructure and the knowhow to manufacture beach accessories, especially cangas. By choosing to produce in Brazil, Origama is able to sell its products without cutting heavily into its profits margins.

### **Barriers & Solutions**

#### Canga instead of the beach towel

No one uses beach towels. Instead, the predominant product used is the traditional canga, made of a less absorbent material which allows it to get wet. As Origama Chaise Longue is made of towel material there is some risk that people will not take it up. Thus, the solution is to adjust the product to Brazilian culture and needs, changing the towel by a canga.

#### Market knowledge

Origama founders are Portuguese, living in Portugal. Consequently they have the essential knowledge of the Portuguese market and consumers needs. However, this is not true for their



knowledge of the Brazilian market. Thus, it's essential to find a local partner with knowledge of Brazilian market, their culture, habits as well as opportunities.

### Risk of imitation

Even owning an international design patent, the risk of imitation in Brazil is huge. The lack of an effective intellectual property protection facilitates imitations. Thus, the solution is to create a strong relationship between the brand and its customers and become a reference in beach products. It's of great importance to invest in qualified brand awareness.

There are additional risks regarding the lack of an efficient and extensive distribution system as well as political and economic instability, constantly changing regulations and programs, inflation fluctuations and other macro economic factors.

### **Mode of entry**

The timing of entering depends on the window of opportunities and the risk that Origama is willing to take. Regarding the mode of entry it will depend on ownership and investment amount<sup>xix</sup>. The start up want to own the full business however the lack of financial resources to the investment required turns the whole ownership unfeasible. As seen previously, exporting to Brazil is unfeasible due to the high taxations. Several factors suggest the strategy of produce locally such as the availability of raw materials and other production resources, efficiency and knowledge advantage on manufacturing, the regulation and taxation of imports, gains from real currency depreciation and more proximity to clients. Thus, the best mode of entering is through a strategic alliance joining one or more local partners and strategically share capabilities, achieving mutual benefits. A cooperative joint venture with a small company manufacturer and distributor of beach products, does not require great equity investment, involves less risk and Origama's quick penetration in the market. This agreement does not require must commitment of the foreign company, perfect to Origama test the market and react to its acceptance without major consequences. Local partners might contribute with manufacturing capabilities and

access to distribution channels, and benefit from a profits percentage. Origama also benefits from the return of shared profits, instead of just royalties of licensing; from more control over operations by having the majority of equity stake, from synergies, from partner's market knowledge as well as from network and risk sharing. Some disadvantages are the risk of conflicts with partner in long term and the misalignment of strategic objectives.

Let's analyse all the steps and the procedures required. First, Origama should send a representative member to Rio de Janeiro to establish the first contacts, to select the right partner and to register the brand in Brazilian INPI<sup>xx</sup>.

We should contract a Brazilian lawyer with knowledge of bureaucracy and taxes, to take care of contracts between Origama and partners, business procedures as well as network. To start producing and selling in Brazil, Origama should establish a product alliance, which licenses another firm to produce the two components of the product: the canga with back pocket and the sticks. The packaging should be outsourced. The standardization of sales and distribution is probably the hardest task due to language differences, social codes in relationships, negotiation culture and dispersion of clients, local regulation and existing structures<sup>xxi</sup>. Considering that Origama Chaise Longue would have a large customer base, the sales and distribution channel must be local. Thus, the local partner should contribute for distribution and storage services, ensuring the shipment of all manufactured elements to distribution centre, where the final product should be put together and packed. The investment should be gradual and shared.

The key of this strategy is to continue owning the intellectual property of the concept as core competence that is the essence of Origama and differentiates from its competitors. Even not made in Portugal, the firm must focus their on quality, on product design, development and marketing.

## **Implementation Plan**

### Long term objectives

The main goal of Origama is to penetrate in the Brazilian market, and become a name of beach products. When thinking of overseas markets, Origama's main goal is growth, to increase both sales and profits, and acquire new clients. Rio de Janeiro offers size and growth opportunities, as well as long term sustainability.

### Short term objectives

Some short term objectives must be defined in order to achieve the long term goals for the firm's expansion. These objectives are summarized in five types:

*Marketing Objectives:* Create product and benefits awareness among the target consumers and then brand association. Provide product's information and incentivise product trial in the place of use. To divulge product features, benefits and its users experience. Acquire new and loyal customers and expand the customer base each month. Expand the distribution by placing the product in 3 different retailers in every 6 months.

*Sales Objectives*<sup>12</sup>: Sell 43,200 units in the first year, 86,400 units in the second year and 293,760, 950,400, 3086208 units in following three years, respectively.

*Financial Objectives*<sup>13</sup>: Have an EBITDA of R\$ 962,750 in the first year as well as R\$ 1.896.400, R\$ 6.696.120, R\$ 21.900.400 and R\$ 71.357.704 in the following years. Have a gross margin of 75% annually.<sup>14</sup> Reach the breakeven point in 1.50 years to get back the initial cash.

	1	2	3	4	5
Net sales	R\$ 1.333.800	R\$ 2.667.600	R\$ 9.069.840	R\$ 29.343.600	R\$ 95.286.672
COGS	R\$ 333.450	R\$ 666.900	R\$ 2.267.460	R\$ 7.335.900	R\$ 23.821.668
Gross Margin	R\$ 1.000.350	R\$ 2.000.700	R\$ 6.802.380	R\$ 22.007.700	R\$ 71.465.004
Gross margin %	75%	75%	75%	75%	75%
Total costs	R\$ 37.600	R\$ 104.300	R\$ 106.260	R\$ 107.300	R\$ 107.300
EBITDA	R\$ 962.750	R\$ 1.896.400	R\$ 6.696.120	R\$ 21.900.400	R\$ 71.357.704
Net Income (after tax)	R\$ 635.415	R\$ 1.251.624	R\$ 4.419.439	R\$ 14.454.264	R\$ 47.096.085

Figure 3: P&L. See appendix 14.1 for a more detailed P&L

<sup>12</sup> Refer to Financial forecasts in appendix 14

<sup>13</sup> Refer to Financial forecasts in appendix 14

<sup>14</sup> Refer to Sales forecasting with P&L , in appendix 14.1

*Societal Objectives:* to continue to be eco-friendly product and develop the possibility of substituting wood for a new eco-friendly material called plastic wood, which requires cutting fewer trees and recycles used plastics<sup>xxii</sup>.

*Internal marketing objectives* should focus on customer services: meet consumer's needs and expectations and, retain and satisfy clients, performing an excellent pre and post sales service. A customer-orientation strategy, focused on Brazilian's wants and needs should go hand in hand with the previous stated objectives. To build a motivated and trained sales team over the years: in the first year hire a lawyer and a local manager, in second year recruit two salespeople and a manager, in the third year recruit according the needs.

### **Segmentation and Target Market**

In order to have an effective marketing campaign, converting potential consumers into new consumers, the market must be segmented. Segmentation is the process of dividing the total market in subgroups of consumers with homogeneous needs, preferences, attitudes, behaviours etc. Then, the target market is chosen, from these segments, as to which is the best to pursue.

The company should target youth people, in 15 – 35 age range. Regarding the level of beach usage, target those who are heavy users of the beach. Gender should not be relevant, because Origama should focus on both women and men. It's important to take into account consumer's activities at the beach and target people who go to the beach to relax, to have a social moment with friends, to read a book and sunbathe. The household income should be considered, targeting people belonging to classes A, B and C, which have purchasing power.

### **Positioning<sup>15</sup>**

*"For beach lovers who enjoy to be with friends at the beach and who are able to appreciate new ideas and original products, Origama is a beach accessory, a "must", with a unique design, a 2*

---

<sup>15</sup> Positioning wheel in appendix 9

*x 2 beach towel and deck-chair which allows for the most comfortable of positions on any beach. 100% cotton, eco-friendly, certified.”*

## Marketing Strategy

This lies in defining the strategic value proposition reflecting what customer values, selecting the most effective customer segments and the degree of adaptation needed as well as the capacity to compete.

## Marketing Mix

### Product

According to Kotler and Keller<sup>xxiii</sup> some of the characteristics of any innovations might influence the timing of its adoption process. The first characteristic is its *relative advantage* i.e. the level of superiority in relation to existing products. Origama Chaise Longue has a superior performance relative to cangas and chairs, delivering a higher level of benefits, such as greater comfort, more versatility as well as being a fashionable utility beach product. The lightness of its components makes it easier to carry both chair and towel separately, perfect for those who go on foot, on skateboard or by bike to the beach. Furthermore, the towel is 100% cotton and its eco-friendly certificate assures customers of its quality and that it is a social responsible product and brand. All these benefits are aligned to the firm's mission of providing people quality moments outdoors.

Another characteristic is the degree of *compatibility* with potential client habits and preferences. Therefore, an adaptation approach is recommended in order to make it suitable to Brazilian conditions and preferences. First, a version of Origama Chaise Longue should be developed changing the beach towel for a Brazilian canga. That is because in Brazil, instead of using a beach towel, people use cangas, a traditional Brazilian product. Another modification is a larger strap that enables the Longue to be carried in a cross-wide manner, with the weight being more evenly distributed, rather than carrying it solely on the shoulder. That would add value to those who go the beach by skate, bike or motorbike. Furthermore, people on the beach never take

their eyes off their valuables due to the high level of theft. Thus, the possibility to change the actual place of the back pocket should be tested, moving it to the front where the user can see it. By making these adjustments the firm will improve the offer to its future customers. As the product better meets the consumer's needs and wants, it will more likely meet the firm's objectives and strategic direction.

The degree of *complexity* is also relevant for its acceptance. At first look, the product might appear somewhat complex. However it is very easy to put together and take apart. The low degree of complexity must be communicated through product demonstrations and trials, in the local of use. Finally, its performance and benefits are easily observable and communicated, creating curiosity and an interest in trying it out.

Origama's product life cycle is expected to be within the normal range, with a repeated purchase life cycle. At the introductory stage Origama will face low sales and slow penetration. Once the product has a social approval by the early adopters, it will become the norm to have an Origama Chaise Longue, going on to a phase of growth and maturity where the product becomes highly profitable. Origama should focus on maintaining this stage by investing in product development and raising barriers for competitor's substitute products.

### Pricing

Price should echo the value created to customers by product benefits, quality, services and communication. Therefore, Origama's pricing strategy should consider three main perspectives: a customer based perspective reflecting the value perceived by consumers; a cost based perspective taking into account production, distribution and overall costs; and a competition based perspective considering both how the firm positions the product and the competitive market structure.

From a competitive perspective, the product is positioned between a canga and a beach chair so its price should be between R\$39 (maximum price of a canga) and R\$85 (the minimum price of

a beach chair). It is important to consider as well that the price of renting a chair at the beach is approximately R\$5. The investment in an Origama Chaise Longue should be recovered after 10 uses - in saving the cost of renting a chair.

From a customer based perspective, the average value given to an Origama Chaise Longue by respondents was about R\$54, and the median value was R\$50. Additionally, both price elasticity of demand analysis<sup>16</sup> and variable cost-plus pricing<sup>17</sup> suggests that R\$50 is the optimal price. However, the trial tests have not been done yet, meaning that such value could change, probably even rise after the trial tests. This suggested price matches the other perspectives, in the sense that its range lies between that of both the most used beach products and it covers the estimated costs allowing the firm to have a gross margin of 75%, R\$37.5 per unit sold. The delivery of online orders to an address inside the city should be free while for other states an extra fee should be charged according to mail and delivery costs.

#### Placement

To succeed, the channels must be able to respond to the demand expected and at the same time manage a delivery service of excellence, in time and with low operations costs. As mentioned previously, the local partner should have a distribution network already established. Since the factories and the distribution centre are in the same city the transportation is quick, taking a few hours.

Concerning the e-commerce channel, there should be an agreement with an e-commerce expert<sup>xxiv</sup> to consider the costs of computer system that allows the distribution and management of the e-commerce business, from the electronic order to the warehouse storage, picking, packing and delivery to consumer. The online service should offer security of payments, personal data privacy and reliable deliveries. A moto boy should be hired to delivery online

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<sup>16</sup> See appendix 13.3 for price sensitivity of demand

<sup>17</sup> See appendix 14.4 for variable cost-plus pricing strategy

orders in the city while orders to other states of the country should be delivered by a courier firm.

The traditional channel would distribute the product to selected retailers of beach products such as Havaianas, Salinas and Art in Surf and Origama point of sales. In the beginning, only with a few outlet partners, the distribution could be done by Origama manager in a private car as happens in Portugal, controlling the stock and the volume of sales through retailing. Another option is the wholesale to ambulant vendors. This option need to be tested and carefully implemented.

### Promotion

To achieve the marketing objectives defined previously and with a small budget to invest on a marketing campaign, Origama should focus on communicating effectively to the target audience - young people identified as heavy beach users who use a canga and a chair, encouraging them to try and then buy. Once it is a completely new product, the main goal is to communicate to them the product benefits and value, creating a knowledgeable product awareness and educating potential customers about the product.

Instead of expensive mass media channels, the firm should opt for online marketing as it has been doing in Portugal. Social networks like Youtube and Facebook should be used to demonstrate product functionality and provide the maximum of information to decision makers. Additionally, a market test should be performed, in small beaches. Once adoption, usage rate, and willingness to pay were validated, the firm is ready to enter.

First promotion campaign: Because trial tests are only possible in the sand, a point of sale should be placed on a strategic beach. Ipanema should be a good place for a market test, together with a promotion campaign where people are invited to trial and post a photo and a sentence expressing their feelings, on Facebook page to gain “likes”. The winner is the one with more “likes”. The first beach would serve as a test to decide whether to expand or not to other



beach in the town. Retailer partners, as Havaianas, Osklen, Salinas and other bikini outlets, should have sand display exhibiting the product and again allowing clients to try it.

Further promotion campaigns should be designed to increase the product interest and drive to more qualified sales leads. Origama should take advantage of the variety of beach sports practiced other than surfing (Billabong Rio Pro) and promote its product in beach football, beach volleyball and slack line championships. More events are Fashion Night Out, Carnival, and the New Years Eve Reveillon which enhance the product as fashionable.

As for Public Relations, Origama can get free promotion: from interviews to online blogs, journals and magazines, and TV talk shows. Later on, having less budget constraints, Origama should invest in TV ads during shows targeted at the youth audience and related to the state of Rio de Janeiro.

### Milestones

	2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Market trial tests												
Legal certifications												
Contacts and negotiation with potential partner												
Alliance contract sign off												
Production												
Promotion												
Online sales launch												
Recruiting												
Outlets partners agreements and sales												
Rent an office												

### Controls, risk analysis and contingency plan

Controls are essential along the process, through metrics that access the accomplishment of the objectives defined for each year and adapt marketing plan to increase the probability of success. Some metrics for profitability control are annual profitability results (per channel), the breakeven point<sup>18</sup> and the contribution margin; metrics for productivity control like: manufacturing performance, number of units produced per month, units sold per sales person and retailer outlets; and metrics for strategy control such as: marketing objectives achieved, conversion rate, customers relationship and satisfaction. During the implementation process meetings should be made to gather sales team performance, data from consumers and to plan future actions. Regarding risk management, there are a few events that must be anticipated through a contingency plan. These can be prioritized according to low, medium and high risk of happening, such as:

Risk 1: Delay in product distribution. Contingency plan: Make pre-sales discount price.

Risk 2: Sales are under the expectations. Contingency plan: Increase trials and marketing communications as well as planning more promotion events at the beach.

Risk 3: Downsize of economy after the Olympic Games and 2016<sup>xxv</sup>. Contingency plan: Adjust the output according the real demand.

Origama should be able to adapt its strategies according to the dynamics of the market, should persist in challenging situations and should seek to constantly improve its previous marketing plan in line with feedback measures and results.

### Conclusion and recommendations

Indeed, there are plenty of opportunities in the Brazilian market that Origama could take advantage of. However, after analysing the firm, Origama might not be ready to give this big step. As a start-up, Origama lacks internal structure organization, so it is recommended that they

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<sup>18</sup> Refer to appendix 14.2 for breakeven point analysis

first build a stable internal structure before thinking of going abroad due to high organization and controls required for a complex internationalization process like this. One more year focusing on Portuguese market should allow Origama founders to build such organizational structure, in order to be ready in 2015.

The one year delay of entry will not affect Origama's opportunities in Brazil; instead, it will give them further capabilities such as greater financial resources and a trained Portuguese representative.

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<sup>i</sup> <http://site.origama-inc.com>

<sup>ii</sup> <https://www.oeko-tex.com/en/manufacturers/manufacturers.xhtml>

<sup>iii</sup> Instituto do Turismo (2013), [http://www.ipdt.pt/ficheiros\\_upload/Publico%2028062013.pdf](http://www.ipdt.pt/ficheiros_upload/Publico%2028062013.pdf)

<sup>iv</sup> AHRESP (2013), [http://www.ahresp.com/news\\_article.php?id=1366](http://www.ahresp.com/news_article.php?id=1366)

<sup>v</sup> Eurostat

<http://epp.eurostat.ec.europa.eu/portal/page/portal/tourism/data/database>

<sup>vi</sup> <http://www.tryvertty.com>

<sup>vii</sup> [www.caia.pt](http://www.caia.pt)

<sup>viii</sup> World Fact Book, 2012

<https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>

<sup>ix</sup> <http://www.bloomberg.com/quote/USDBRL:CUR>

<sup>x</sup> World Fact Book, 2012

<https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>

<sup>xi</sup> Apparel Magazine (2012). "*In Brazil, Booming Economy Boosts Apparel Business*". Vol 53, p.19-20

<sup>xii</sup> IBGE, Posição ocupada pelos 100 maiores municípios em relação ao Produto Interno Bruto, 2008

<http://www.ibge.gov.br/home/estatistica/economia/pibmunicipios/2006/tab02.pdf>

<sup>xiii</sup> IBGE, <http://cidades.ibge.gov.br/xtras/perfil.php?lang=&codmun=330455>

<sup>xiv</sup> Portal Rio,

<http://portalgeo.rio.rj.gov.br/indice/flanali.asp?codpal=811&pal=POPULA%C7%C3O>

<sup>xv</sup> <http://www.balibblue.com.br/interna.htm>

<sup>xvi</sup> Grife do Rio exporta cangas, JB – Economia, 2007, [www.balibblue.com.br/img/clipping/JB\\_economia.jpg](http://www.balibblue.com.br/img/clipping/JB_economia.jpg)

<sup>xvii</sup> Rosset Group, <http://www.rosset.com.br>

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<sup>xviii</sup> <http://www.ufrgs.br/sustentabilidade/?p=111>

<sup>xix</sup> Lasserre, Philippe. 2003. *Global Strategic Management*. 191. New York: Palgrave MacMillan

<sup>xx</sup> Brazil INPI

[http://www.inpi.gov.br/portal/artigo/quanto\\_custa\\_\\_patentes#](http://www.inpi.gov.br/portal/artigo/quanto_custa__patentes#)

<sup>xxi</sup> Lasserre, Philippe. 2003. *Global Strategic Management*. 234. New York: Palgrave MacMillan

<sup>xxii</sup> <http://envolverde.com.br/ambiente/preservacao-ambiente/madeira-plastica-evita-derrubada-de-arvores-para-fabricar-moveis/>

<sup>xxiii</sup> Kotler, P., & Keller, K. L. (2012). *Marketing management*. Upper Saddle River, N.J., Pearson Prentice Hall.

<sup>xxiv</sup> <http://www.ezcommerce.com.br/>

<sup>xxv</sup> <http://perspectiva-lusofona.weebly.com/2/post/2011/07/ser-que-a-economia-brasileira-vai-estoirar-depois-de-2016.html>

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

## **INTERNATIONALIZATION STRATEGY OF ORIGAMA TO BRAZIL**

### **List of Appendixes**

MARIA TERESA LOURO RIBEIRO DA COSTA #1301

A Project carried out on the management course, under the supervision of:

Prof. Victor Centeno

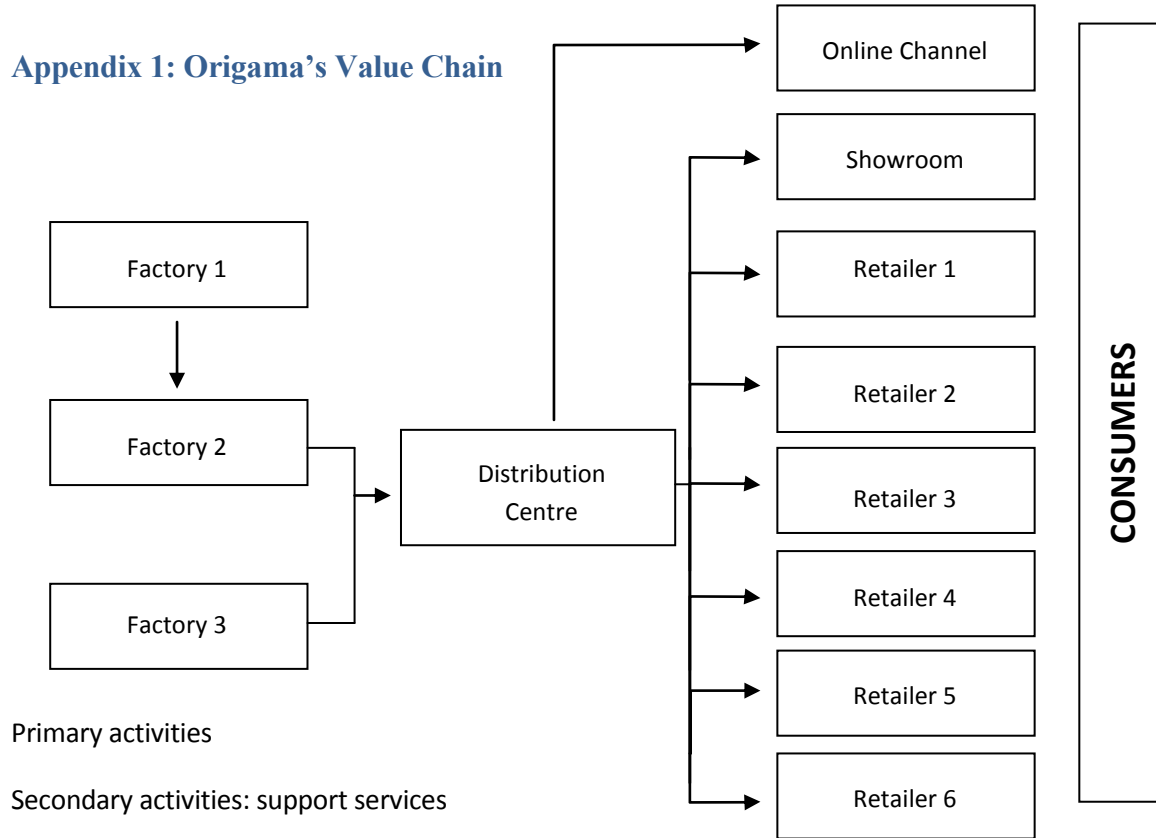
January 6<sup>th</sup>, 2014

## Index

Appendixes .....	3
Appendix 1: Origama's Value Chain .....	3
Appendix 2: Origama's shipping costs of online sales .....	3
Appendix 3: External factors of Portuguese market .....	3
Appendix 4: Residents in Rio de Janeiro (Census 2010) .....	5
Appendix 5: Arrivals of tourists to Brazil, by Federal Units 2011-2012.....	5
Appendix 6: Tourist's motivations data .....	6
Appendix 7: Macroeconomic analysis of Rio de Janeiro.....	7
Appendix 9: Communication sector.....	9
Appendix 10: Beach chair.....	9
Appendix 11: Chaise Longue.....	10
Appendix 12: Positioning Wheel .....	10
Appendix 13: Marketing Research.....	10
13.1- Customers satisfaction online survey .....	10
13.2 – Indebt interviews.....	14
13.3 - Concept Testing .....	15
Appendix 14: Financial analysis .....	19
14.1- Sales and costs forecast.....	19
14.3: Import Tax Simulation .....	22
14.4: Pricing strategy .....	23

## Appendixes

### Appendix 1: Origama's Value Chain



### Appendix 2: Origama's shipping costs of online sales

Countries	Cost (€)	Delivery time	Mean of payment
Portugal Continental	5,00	1 – 4 days	PayPal, Credit Card
Azores and Madeira	7,50	2 – 5 days	PayPal, Credit Card
Spain Continental	11,50	2 – 5 days	PayPal, Credit Card
France, Monaco, Germany	12,00	2 – 5 days	PayPal, Credit Card
Belgium, Netherlands, Poland, Austria, Czech Republic	13,00	3 – 6 days	PayPal, Credit Card
Switzerland, Luxembourg, UK, Slovenia, Slovakia, Denmark	15,00	3 – 7 days	PayPal, Credit Card
Hungary, Ireland, Italy, Sweden, Lithuania, Estonia, Latvia	18,00	5 – 7 days	PayPal, Credit Card
Finland, Norway, Romania, Croatia, Bulgaria, Serbia, Bosnia and Herzegovina	25,00	5 – 10 days	PayPal, Credit Card

Source: <http://site.origama-inc.com>

### Appendix 3: External factors of Portuguese market

#### The Economy

The Portuguese economy is in a recession situation and has had to resort to financial support from the International Monetary Fund. However, Banco de Portugal<sup>i</sup> estimates there will be a slight slowdown in the effect of the recession when compared to 2012 (-2.0 and -3.2 respectively) a consequence of a significant increase in exports that offset the sharp decline in domestic demand. Unemployment rate has been rising throughout last few years reaching 15.7% in 2012<sup>ii</sup>; households have less available income due to an increasing income tax burden reduce, cutting expenditure in restaurants, hotel and cultural/leisure activities. BP predicts that in 2014 there will be a GDP growth of 0.3 percent. The reasons for this include a new round of tough public spending cuts, a robust growth of exports and, finally, the rate at which private domestic demand has been falling will slow down spite of the 23% VAT to which most commodities are subject.

#### The Geography and Climate

The country has a 943 km coastline at Continent, 667 km in the Azores, 250 km in Madeira, forming beautiful sandy beaches.

The Mediterranean Climate makes such beaches a privileged top in the summer months (June, July; August, September). In the sector of tourism, these four months represent the high season, the Algarve, Lisbon and Madeira being the main regions visited, followed by the Douro and the Alentejo, all seacoast regions.

However, the weather in winter, autumn and spring are not so favourable for going to the beach, slowing down beach accessories consumption. In fact, in Portuguese market Origama faces serious fluctuations in the output and sales related with the seasonality, having price discounts in low season, like the Christmas promotion.

#### Society and Environment

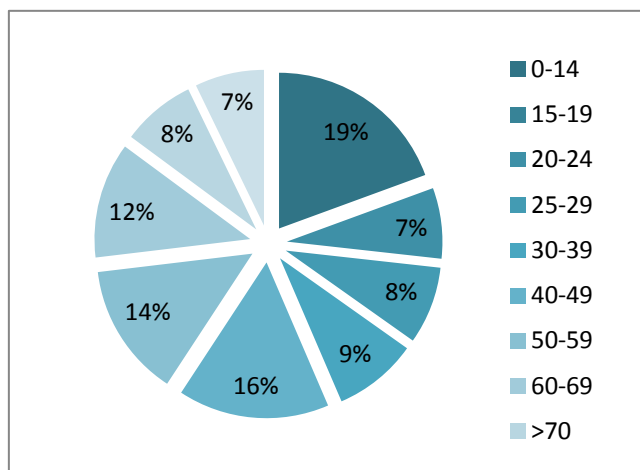


Individual well-being and healthy lifestyle have a greater importance in society, which reflects new patterns of consumption and some changes in preferences with more consumers choosing natural products. Consumers are also opting to buy durable goods – such as fashion, technologic and products for the home second-hand for a lower price, instead of buying them new. Green environmentally friendly products have more of a market share and are an important factor in consumer preferences.

### Internet and Social Networks

Portugal boasts excellent communication technologies. According to statistical data, in 2012, more than 60% of the population uses a computer and have access to the internet, which turns the Portuguese market into an opportunity for e-commerce businesses<sup>iii</sup>. Moreover, 75% use internet to connect social networks, mainly the Facebook<sup>iv</sup>.

### **Appendix 4: Residents in Rio de Janeiro (Census 2010)**



Source: IBGE  
<http://cidades.ibge.gov.br/xtras/temas.php?lang=&codmun=330455&idtema=90&search=rio-de-janeiro|rio-de-janeiro|censo-demografico-2010:-resultados-da-amostra-caracteristicas-da-populacao->

<b>Total</b>	<b>6320446</b>
<b>0-14</b>	<b>1227131</b>
<b>15-19</b>	<b>464110</b>
<b>20-24</b>	<b>508746</b>
<b>25-29</b>	<b>551477</b>
<b>30-39</b>	<b>992815</b>
<b>40-49</b>	<b>876347</b>
<b>50-59</b>	<b>759865</b>
<b>60-69</b>	<b>485278</b>
<b>&gt;70</b>	<b>454677</b>

### **Appendix 5: Arrivals of tourists to Brazil, by Federal Units 2011-2012**

<b>Federal Units</b>	<b>2011</b>	<b>2012</b>
<b>Brasil</b>	<b>5.433.354</b>	<b>5.676.843</b>
Amazonas	24.764	34.720

Bahia	166.278	142.803
Ceará	97.553	91.648
Distrito Federal	63.384	68.540
Mato Grosso do Sul	39.100	43.891
Minas Gerais	52.134	54.480
Pará	15.930	16.877
Paraná	750.008	791.396
Pernambuco	79.835	70.259
Rio de Janeiro	1.044.931	1.164.187
Rio Grande do Norte	44.235	40.488
Rio Grande do Sul	724.879	810.670
Santa Catarina	179.303	195.708
São Paulo	2.094.854	2.110.427
Outras Unidades da Federação	56.166	40.749

#### Appendix 6: Tourist's motivations datav

Característica da viagem		
	2011	2012
Motivo da viagem	(%)	
Lazer	46,1	46,8
Negócios, eventos e convenções	25,6	25,3
Visitar amigos e parentes	24,5	24,4
Outros motivos	3,8	3,5
Motivo da viagem a lazer	(%)	
Sol e praia	62,1	64,2
Natureza, ecoturismo ou aventura	24,6	21,3
Cultura	9,4	10,6
Esportes	1,6	1,9
Diversão noturna	0,9	0,9
Viagem de incentivo	0,4	0,3
Outros	1,0	0,8

Destinos mais visitados		
Lazer	(%)	
Rio de Janeiro - RJ	26,7	29,6
Florianópolis - SC	19,7	18,1
Foz do Iguaçu - PR	19,8	17,3
São Paulo - SP	11,0	10,5
Armação dos Búzios - RJ	6,4	7,9

## **Appendix 7: Macroeconomic analysis of Rio de Janeiro**

### The Economy

The main economic sectors are: energy (Petrobras, Vale S.A. and EBX), telecommunications (Oi, Tim, Embratel, Intelig; Net and Star One), Oil (Ipiranga, Chevron, Repsol), the steel industry, cinema productions (Globo, Record), the national naval industry and finally tourism.

### The Geography and Climate

The city is located in the Atlantic coastline along 200 km<sup>vi</sup>. The South Zone of the city runs along the Atlantic coast, some near urban zones such as Praia do Leme, Copacabana, Ipanema, Leblon São Conrado, Barra da Tijuca and others outside the urban zones like Prainha, Grumari and Guaratiba. Outside the city, but still in the State of Rio de Janeiro, there are more Atlantic beaches that attract tourists. Rio de Janeiro hosts many internationally recognized events such as the New Year's Eve "Reveillon" at Copacabana beach, the International Cinema Festival, Anima Mundi, Mostra Filme Livre, Fashion Rio and the traditional Carnival.

The Tropical Savannah Climate also brings high temperatures in winter and autumn seasons. During the summer, is very common to have temperatures above 40°C and strong rains simultaneously; while in the winter months it is frequent to reach temperatures greater than 27°C. Indeed, the city is known for having an "eternal summer".

Here Origama does not have the disadvantage of seasonality that it faces in Portugal.

### Social Context

In Rio de Janeiro, inequalities in wealth are clearly visible due to the proximity of rich and poor areas, reflecting huge social contrasts. However, Brazilians have seen their

social economic conditions improve, with a new middle class emerging, defined with a letter C in the Brazilian Income Classification (see appendix 8). Indeed the census of 2010 shows that 81,45% of the population in Rio de Janeiro belongs to classes A. B and C, economic classes with an active purchasing power. Assuming these three classes as potential consumers, it is possible to estimate that there are about 5,300,000<sup>1</sup> people able to acquire an Origama in the city.

#### Legal and Tax issues

Brazil has heavy taxation policy. About 55% of government revenues derive from consumer taxes (such as VAT), higher than income taxes revenue. At the same time, the government has adopted incentives for consumers and measures to protect the national industries and consequently imports to Brasil are even more heavily taxed, by a complex taxation system that significantly increases the cost of imported goods and services. The taxes on imports are IPI (tax on manufactured product), Cofins (contribution to Social Security Funds), PIS (Social Integration Plan) and ICMS, a value added tax on sales and services applied to the movement of goods, interstate and intercity transportation and communication services<sup>vii</sup>.

#### Internet and Social networks

Brazil is the fourth largest market for mobile phones in the world and the fifth largest market in personal computers. Since 2007, the number of mobile phones, computers and internet users has been increasing at annual rates of 19%, 21% and 23.7% respectively (see appendix 10)<sup>viii</sup>.

#### **Appendix 8: Brazilian social class in Rio de Janeiro**

	# of households		
A	305,698	14.26%	81.45%
B	425,168	19.84%	

<sup>1</sup>  $6,429,923 \times 81.45\% = 5,237,173$

C	1,015,067	47.35%	
D	251,019	11.72%	
E	146,303	6.83%	

### Income Classes

Economic classification in Brazil adopted by “Associação Brasileira de Empresas de Pesquisa” (ABEP). This classification is used to estimate the purchasing power of Brazilian households. The method scores the existence of appliances and house appliances, vehicles, bathrooms, level of education etc. Each letter represents an score interval, which A and B correspond to higher scores, so richer families and D and E are the line of poverty.

### Appendix 9: Communication sector

Setor das TIC's, 2007-2011 (Milhões)							Principais mercados móveis no Mundo, top 5, 2007-2011 (Milhões)							
	2007	2008	2009	2010	2011	TCMA 07-11		2007	2008	2009	2010	2011	TCMA 07-11	Var 09-11
Telefones fixos	39.4	41.2	41.5	42.1	43.0	2.2 %	China	547	641	747	859	986	15.9 %	14.8 %
Densidade (por 100 habitantes)	20.7	21.4	21.6	21.7	22.0		Índia	234	347	525	752	894	39.8 %	18.9 %
Telefones móveis	120.9	150.6	173.9	202.9	242.2	19.0 %	EUA	255	270	286	302	332	6.8 %	9.9 %
Densidade (por 100 habitantes)	63.6	78.1	90.5	104.7	123.9		<b>Brasil</b>	<b>121</b>	<b>151</b>	<b>174</b>	<b>203</b>	<b>242</b>	<b>18.9 %</b>	<b>19.2 %</b>
Televisão por assinatura	5.3	6.3	7.5	9.8	12.7	24.4 %	Rússia	173	188	208	215	228	7.1 %	6.0 %
Densidade (por 100 domicílios)	10.2	11.7	12.9	16.4	21.2									
Banda larga	7.7	10.0	11.4	13.8	16.5	21.0 %								
Densidade (por 100 habitantes)	4.1	5.3	5.9	7.1	8.5									
Utilizadores de internet	39.0	62.3	67.5	73.9	n.d.	23.7 %								

Source: <http://www.bes.pt/siteBES/cms.aspx?plg=b0e26edf-ba40-4577-b551-f2d1534b0d01>

### Appendix 10: Beach chair (simple model available for sale or for rent at the beach)



**Cadeira Praia Alumínio Copacabana Reclinável**

**R\$ 85<sup>50</sup>**  
**12x R\$ 8<sup>26</sup>**

Source: <http://lista.mercadolivre.com.br/cadeiras-de-praia>

## Appendix 11: Chaise Longue

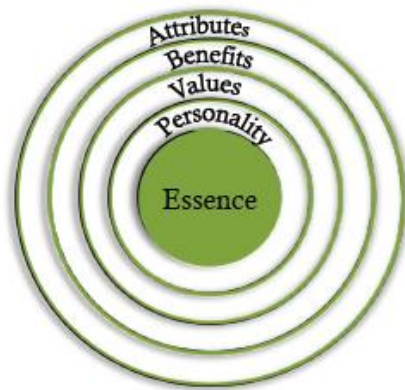


**Cadeira Espreguiçadeira Textilene Praia Estrutura Aluminio**  
Compre Tranquilo, Nossos Produtos Viajam Com Seguro!

**R\$ 139<sup>90</sup>**  
**12x R\$ 13<sup>52</sup>**

Source: <http://lista.mercadolivre.com.br/cadeiras-de-praia>

## Appendix 12: Positioning Wheel



**Attributes:** Vivid colours, Easy to assemble and disassemble, 2x1 object

**Benefits:** Easy to carry, a chair and a canga at same time

**Values:** Simple, versatile, comfortable, practical, eco-friendly

**Personality:** Social, stylish, fashionable, creative, unique, environmental responsible

**Essence:** Beach moments lover

## Appendix 13: Marketing Research

The research started by analyzing the situation of Origama in Portugal. A secondary research was conducted through an online survey of Origama clients (13.1), aiming to find out their satisfaction concerning their use of the product. The results allowed understanding the key success factors of Origama in Portugal. Then it was necessary to understand the destination market through both a qualitative technique (indebt interview (13.2) and a quantitative concept test (13.3).

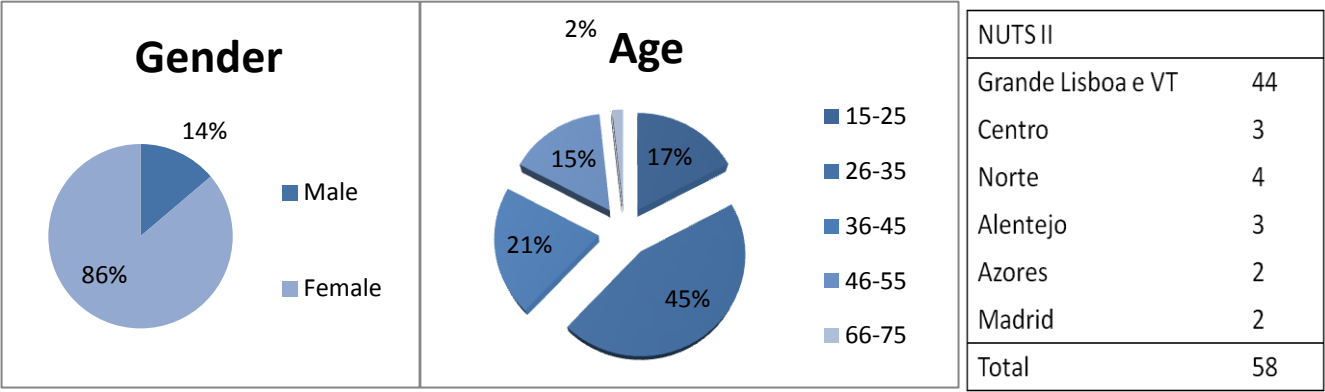
### 13.1- Customers satisfaction online survey

A market research was conducted aiming to understand who Origama clients are, what their purchase motivations were, and their frequency of use of the product, how they use it

as well as their satisfaction with the product. This information was collected through quantitative research in an online survey format.

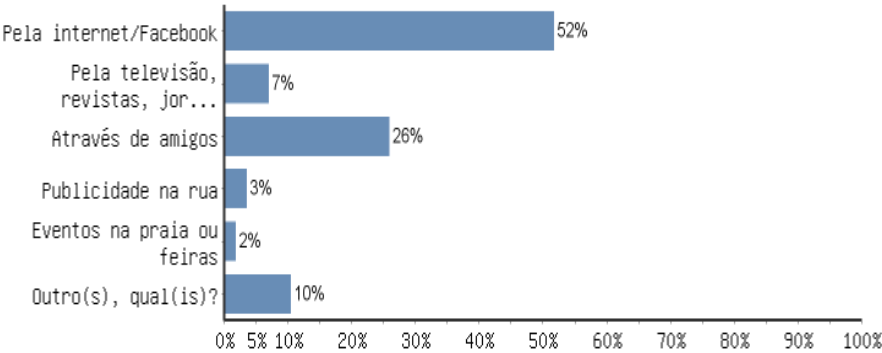
### Origama Client Profile

The results showed that Origama Clients are mainly women (86%). Regarding demographic aspects, the majority of respondents were between ages of 26 - 45 years old (66%), 17% were above the age of 45 and 15% in the 15-25 age range. The majority live in Lisbon and in Vale do Tejo Region, 2 were from Azores and 2 from Madrid.



### Brand Awareness

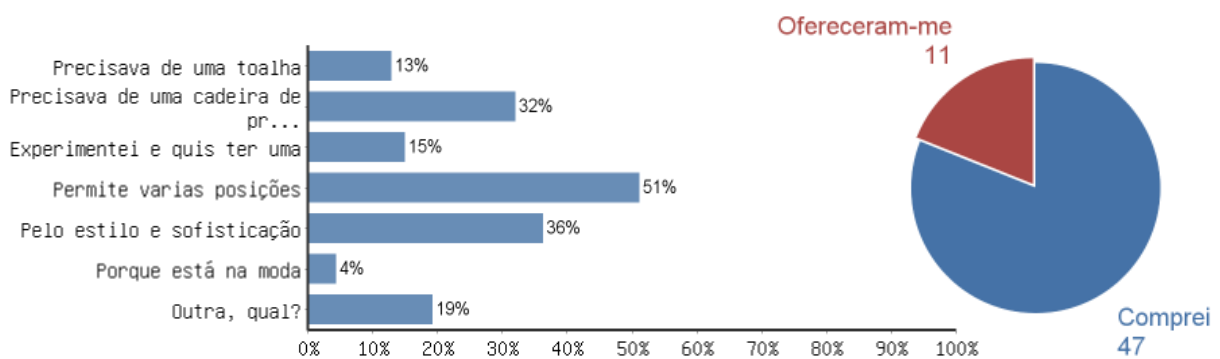
The internet and Facebook proved to be the most effective channel in what concerns to brand awareness (52%), followed by the option “by word of mouth” (26%).



		Como conheceu a marca Origama?						Total
		Pela internet/Facebook	Pela televisão, revistas, jornais	Através de amigos	Publicidade na rua	Eventos na praia ou feiras	Outro(s), qual(is)?	
Como adquiriu o produto?	Comprei	26	4	11	1	1	4	47
	Ofereceram-me	4	0	4	1	0	2	11
	Total	30	4	15	2	1	6	58

### Purchase motivations

Most respondents revealed that their main reason for purchase an Origama Chaise Longue was that they could change the position of the longue to suit their needs, followed by the sophistication and style of the product. The third reason was the consumer's need for a beach chair, choosing an Origama as a substitute with the additional benefit of not having to carry a real chair.



However results analysis is concluded that for younger clients (bellow 40 years old), both style and sophistication of the product were the second most popular reason for buy an Origama while there was no older respondents (with more than 40 years old), with this consumption motivation. We can infer that fashion is important by younger people.



		Nos dias que frequentou a praia, com que frequência usou a sua Origama?					Total
		Sempre	Quase sempre	Às vezes	Quase nunca	Nunca	
Se comprou, selecione a(s) sua(s) razão(s) de compra (no máximo 3 razões)	Precisava de uma toalha	4	2	0	0	0	6
	Precisava de uma cadeira de praia	8	7	0	0	0	15
	Experimentei e quis ter uma	2	5	0	0	0	7
	Porque permite várias posições	16	6	1	1	0	24
	Pelo estilo e sofisticação	10	5	1	0	1	17
	Porque está na moda	0	1	1	0	0	2
	Outra, qual?	2	5	0	1	1	9
Total		29	15	1	1	1	47

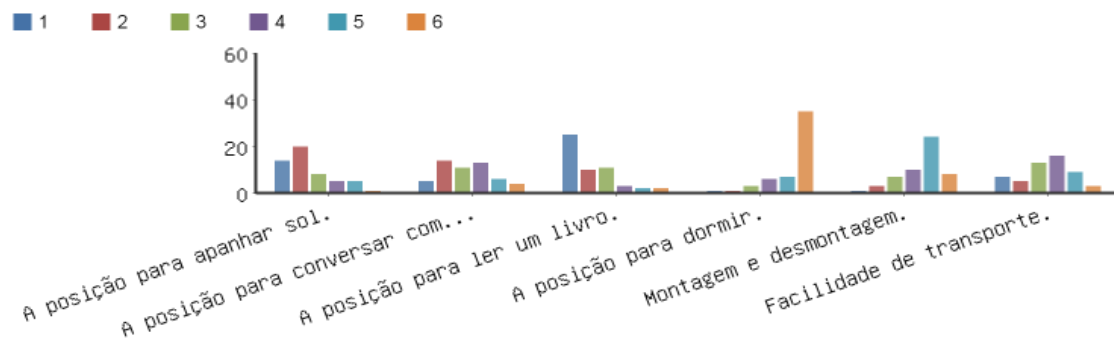
### Usage frequency

People buying Origama tended to use it very frequently, of course excluding those who bought it as a present, (“Comprei para oferecer” says – Female). There is no relevant difference in usage frequency between those who purchase themselves and those who have an Origama as a gift.

### Usage patterns

Results also show that most respondents use their Origama to read, as they appreciated a comfortable position. Secondly, they like to use it for sunbathing and for talking to people around. The fact that it could be carried easily was the fourth reason to use the product, followed by the ease with which it could be assembled and disassembled and the least used position was for sleeping.

Respondents were asked to give reasons why they preferred to use Origama, The most commonly mentioned words were: comfort, versatile, easy of transport and multifunctional product.



Text Entry	
Word	Count
Toalha	21
Cadeira	19
Confortável	14
Fácil	13
Transporte	11

Finally, users were asked if they had been approached by beach goers while using it. They were also asked if they had recommended Origama to others. In both cases the great majority were in the affirmative.

### 13.2 – Indebt interviews

In a first stage, the objective was to understand what these behaviors were and gain some lifestyle insights, specifically when on the beach. The qualitative research was performed with a sample of 15 “cariocas”, 7 male and 8 female, aged from 18 to 50 years old.

To select the correct sample, some filters were applied through a pre-questionnaire. First filter required that each respondent have Brazilian nationality; then a minimum of five years living in Rio de Janeiro and finally, it was necessary that the potential interviewee had been to the beach in the last 6 months. The results made it possible to profile Cariocas.

Open question: Tell me about the last time that you went to the beach.

Topics to be covered:

- Time that arrived and left
- Mean of transportation
- With who went to the beach?
- Why went to the beach?
- Why to chose that beach?
- How must do you like the beach?
- What activities you did?
- What did you took?

### 13.3 - Concept Testing

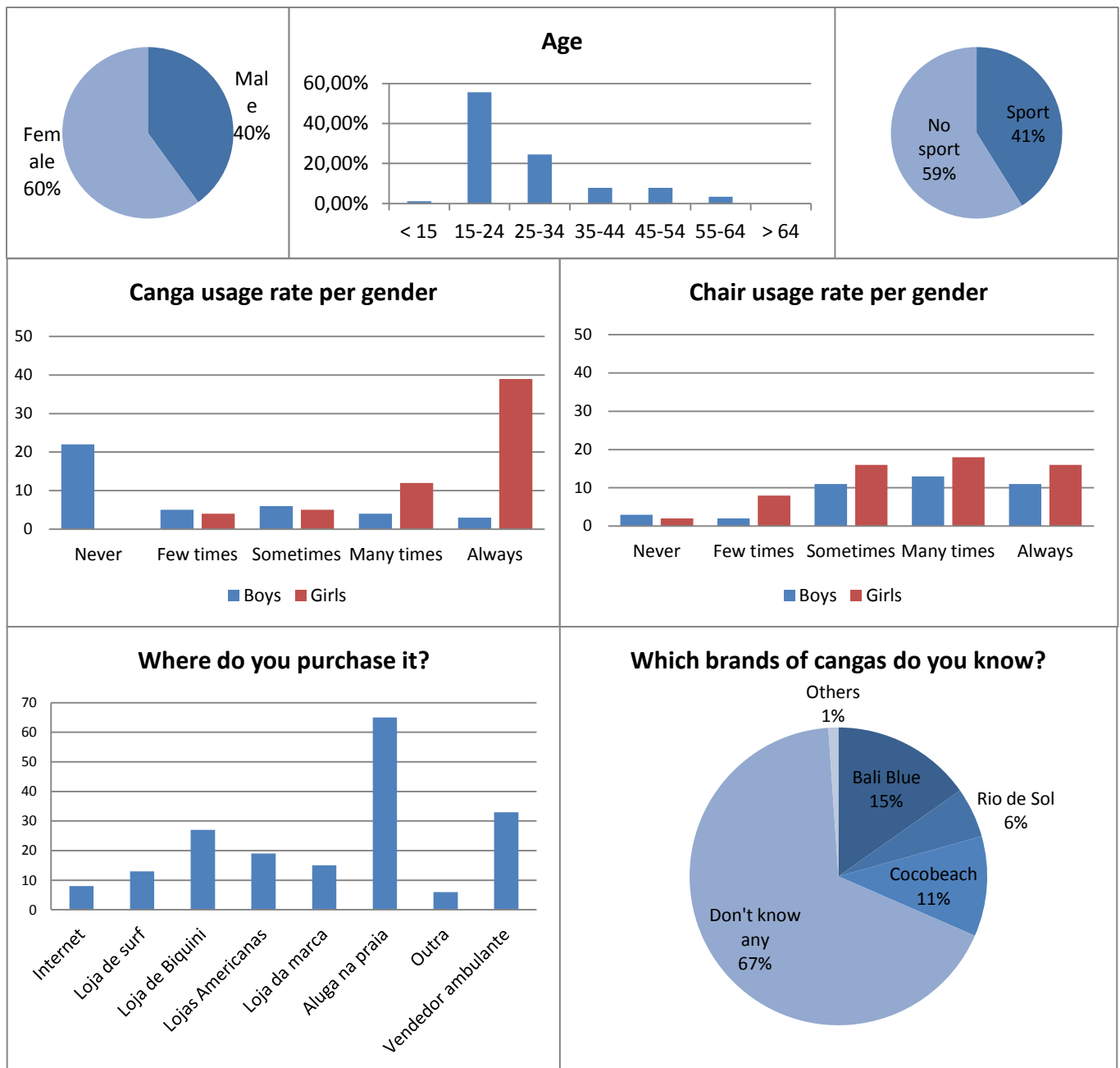
In this case, because we are developing a new product and brand launch, with a unique design, a concept test was required to assess consumers' purchase behaviours in the market of beach products, their perceptions about the concept of the product, how their would use it as well as their willingness to pay. The concept testing was made through a quantitative survey aiming to evaluate the attractiveness of the product collecting reactions, thoughts, attitudes and ideas from potential Brazilian consumers, about Origama's Chaise Longue. This kind of research was helpful in the definition of a strategic plan regarding positioning, advertising, pricing and distribution.

#### **Respondents profile, habits and purchase behaviour**

The respondents sample was 60% of woman and 40% man, from which 60% practice some beach sport. In terms of usage habits, 23% said that never use a canga and just 3% revealed that don't use deck chair, which reveals that canga is a product mainly used by girls while the deck chair is used by both girls and boys. The remaining products – chaise longue, beach towel and pillow – don't have significant values usage.

The brand awareness of cangas is small, as 72% of respondents don't know any brand, which means consumers don't care about the brand and just have product awareness.

The main channels, in the case of the beach chair is the beach stand renting chairs, and in the case of canga are ambulant vendors, bikini outlets and *lojas americanas*.



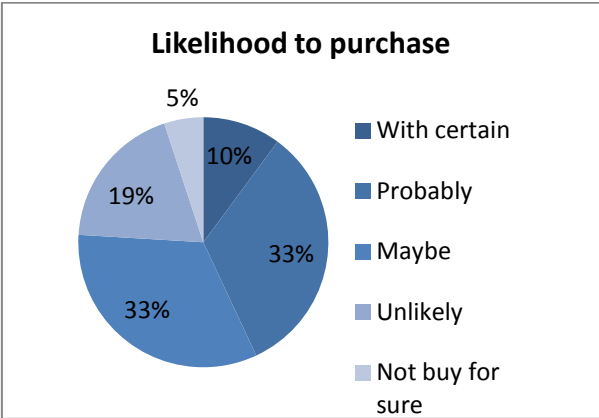
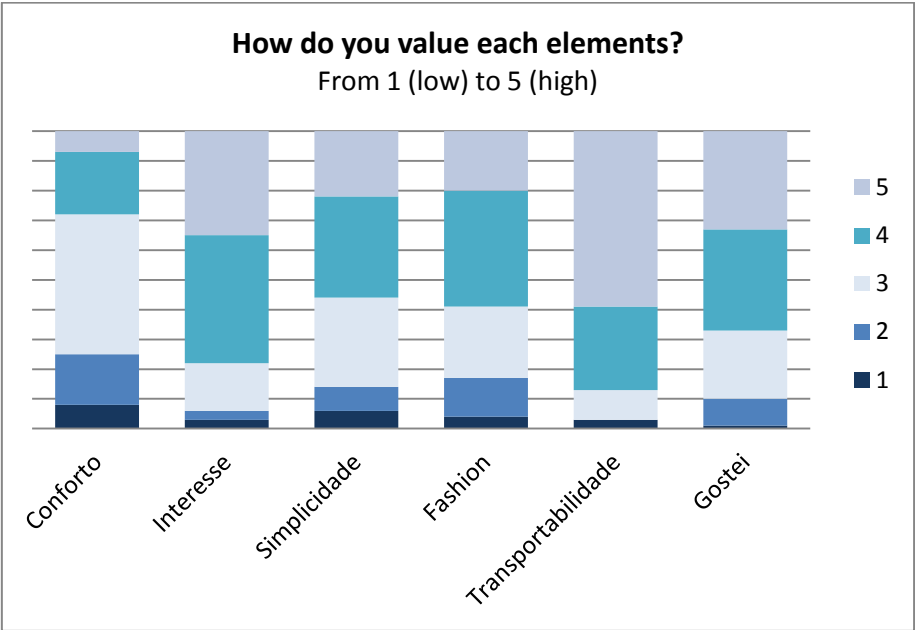
### Perceptions about the product concept

The results show that Cariocas are quite interested in the product. They think that the product is simple, interesting, fashionable and easy to carry. On the other hand, the

majority of respondents gave no opinion as to whether Origama is comfortable, which may reflect some doubts as to the product’s value in this area.

Regarding the probability they purchase an Origama, 33% answered “maybe”, 33% said “probably” and 10% would buy it for certain. Just 4% respondents would not buy it.

Respondents showed openness to purchase the product though both online and offline channels.



### How they think they would use the product

The respondents were asked with which frequency they would use Origama (always, sometimes or never) according several situations. Summing up, respondents would take their Origama:

#### Always

- When going to the beach by foot, skateboard or bike said that would take always their Origama;
- When going alone or with people of the same gender;
- When going to Ipanema/ Leblon beach and others outside of urban zone.

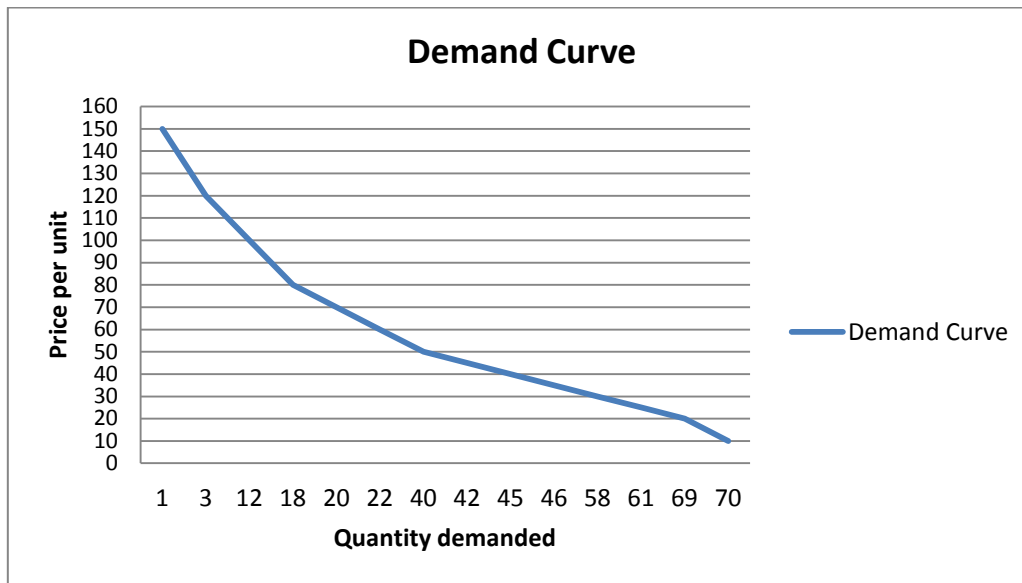
#### Sometimes

- When going by bus/subway;
- When going with a mixed group;
- When going to beaches outside of Rio de Janeiro.

### Their willingness to pay

They were asked about how much they were willing to pay. At the end the average value correspond to R\$54 and the median value of R\$50. This allowed forecasting the price sensitivity of demand.

Price	Frequency	Units sold	Change in price	Change in sales	Price elasticity of demand
10	1	70			
20	8	69	200%	-1,43%	-0,71%
25	3	61	125%	-11,59%	-9,28%
30	12	58	120%	-4,92%	-4,10%
35	1	46	117%	-20,69%	-17,73%
40	3	45	114%	-2,17%	-1,90%
45	2	42	113%	-6,67%	-5,93%
50	18	40	111%	-4,76%	-4,29%
60	2	22	120%	-45,00%	-37,50%
70	2	20	117%	-9,09%	-7,79%
80	6	18	114%	-10,00%	-8,75%
100	9	12	125%	-33,33%	-26,67%
120	2	3	120%	-75,00%	-62,50%
150	1	1	125%	-66,67%	-53,33%
Total	70				



## Appendix 14: Financial analysis

### 14.1- Sales and costs forecast

In order to reduce the risk of launching new products, forecasting sales and costs has become common practice in marketing research. At the same time, this type of prediction has an inherent high risk of error. Overestimating the volume of sales can be disastrous in terms of profits and return on investments calculations.

Despite the Portuguese market being smaller than the Brazilian market, let's base some assumptions on these past data. Thus, in a market of 6,500,000 potential consumers, 3000 Origama Chaise Longue were sold meaning a 0.05% of market penetration, in the five months (May, June, July, August and September).

Indeed, in Rio de Janeiro the market size is approximately of 50.800.000<sup>2</sup> million people, which is about six times bigger than Portuguese market. Moreover, people go to the beach throughout the year leading to a doubling of beach product consumption, with the purchase being repeated more often, let's say once every two years.

<sup>2</sup> 50,800,000 = 5,300,000 (residents of social classes A, B and C) + 45,500,000 (tourists that go to the beach)

Assumptions:

**At year 1:** To predict sales, it's assumed that each consumer buys an Origama, which means that sales volume corresponds to the number of users. Knowing that in the Portuguese market an average of 600 units sold per month ( $3000 \div 5 = 600 \text{ units}$ ), it's assumed that in Rio de Janeiro, because the market is six times bigger, they will sell  $600 \times 6 = 3,600 \text{ units per month}$ . In the Brazilian market Origama will sell every month of the year estimating 43,200 units sold for the first year. This will represent a market penetration of 0.09% and a net income after taxes of R\$ 635,415.

**At year 2:** Assuming great product awareness in the second year, sales will probably double, reflecting a sales volume of 86,400 units, i.e. new users and a market penetration of 0.26%.

**From year 3 to 5:** It's estimated that 80% of Origama users will repeat their purchase after 2 years<sup>3</sup>. In numbers, sales would be 293,760 units in the 3<sup>rd</sup> year, 950,400 units in the 4<sup>th</sup> year and 3,086,208 units in the 5<sup>th</sup> year; and consequently will have a market penetration of 0.83%, 2.7% and 8.78% in each year respectively.

**Costs:** COGS are estimated to be 25% of sales revenues, representing R\$12.5 per unit. The **gross margin** is expected to be 75%. It's expected to recover the initial cash in 1.5 years, see the **payback period** calculations in section 17.2 as well as the **breakeven** graph.

	0	1	2	3	4	5
Sales units		43200	86400	293760	950400	3086208
Cumulative units		43200	129600	423360	1373760	4459968
Market Penetration		0,09%	0,26%	0,83%	2,70%	8,78%

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<sup>3</sup> Sales volume = number of new users + users that repeat purchasing



Unit price	R\$ 50,00
Market size	50800000

	0	1	2	3	4	5
						R\$
Gross Sales	R\$ 2.160.000	R\$ 4.320.000		R\$ 14.688.000	R\$ 47.520.000	154.310.400
Taxes (PIS and Cofins)	R\$ 826.200	R\$ 1.652.400		R\$ 5.618.160	R\$ 18.176.400	R\$ 59.023.728
Net sales	R\$ 1.333.800	R\$ 2.667.600		R\$ 9.069.840	R\$ 29.343.600	R\$ 95.286.672
COGS (0,25%)	R\$ 333.450	R\$ 666.900		R\$ 2.267.460	R\$ 7.335.900	R\$ 23.821.668
Gross Margin	R\$ 1.000.350	R\$ 2.000.700		R\$ 6.802.380	R\$ 22.007.700	R\$ 71.465.004
Gross margin %	75%	75%		75%	75%	75%
warehouse	R\$ 18.000	R\$ 18.000		R\$ 18.000	R\$ 18.000	R\$ 18.000
Marketing Costs	R\$ 2.100	R\$ 7.000		R\$ 7.000	R\$ 7.000	R\$ 7.000
Administrative expenses	R\$ 2.000	R\$ 2.000		R\$ 2.000	R\$ 2.000	R\$ 2.000
Trip and accommodation	R\$ 6.000	R\$ 6.000		R\$ 6.000	R\$ 6.000	R\$ 6.000
Portuguese representative	R\$ 6.000	R\$ 6.000		R\$ 6.000	R\$ 6.000	R\$ 6.000
Salaries		R\$ 3.000		R\$ 4.500	R\$ 6.000	R\$ 6.000
Lawyer and consultancy	R\$ 3.500	R\$ 3.500		R\$ 3.500	R\$ 3.500	R\$ 3.500
Office Rent		R\$ 0	R\$ 58.800	R\$ 58.800	R\$ 58.800	R\$ 58.800
Brand Registration	R\$ 1.040			R\$ 460		
Total costs	R\$ 37.600	R\$ 104.300		R\$ 106.260	R\$ 107.300	R\$ 107.300
EBITDA	R\$ 962.750	R\$ 1.896.400		R\$ 6.696.120	R\$ 21.900.400	R\$ 71.357.704
Income Taxes (IRPJ, CSLL)	R\$ 327.335	R\$ 644.776		R\$ 2.276.681	R\$ 7.446.136	R\$ 24.261.619
Net Income (after tax)	R\$ 635.415	R\$ 1.251.624		R\$ 4.419.439	R\$ 14.454.264	R\$ 47.096.085
Initial Cash	R\$1.265.040					

#### 14.2: Payback period and break even

	0	1	2	3	4	5
Expected sales units	R\$ 0	R\$ 43.200	R\$ 86.400	R\$ 293.760	R\$ 950.400	R\$ 3.086.208
Expected Cash flows	-R\$ 1.265.040	R\$ 635.415	R\$ 1.251.624	R\$ 4.419.439	R\$ 14.454.264	R\$ 47.096.085
	-R\$ 1.265.040	-R\$ 629.625	R\$ 621.999	R\$ 5.041.438	R\$ 19.495.702	R\$ 66.591.787
Payback period or breakeven point	1,50					

### 14.3: Import Tax Simulation<sup>ix</sup>

Foreign goods and services entering Brazil are subject to an import tax as well as other taxes such as IPI, PIS, Cofins and ICMS (Brazilian VAT), mentioned in the Legal Issues section, which will influence the final price charged to consumers. All taxes vary depending on the country of origins and on product characteristics. There are specific quotas for each product defined in the Mercosul Common Nomenclature (NCM).

In the case of Origama Chaise Longue there isn't a precise nomenclature describing the product, reflecting its uniqueness. Thus, code 6309.00.90 will be adopted describing a few characteristics of the product.

6309.00	Artefatos de matérias têxteis, calçados, chapéus e artefatos de uso semelhante, usados.
6309.00.10	Vestuário, seus acessórios, e suas partes
6309.00.90	Outros

The customs value is composed of the price of the product sold along with transportation and security costs. This value has two different designations in order to distinguish who is responsible for freight and security costs on board - free on board (FOB) if the responsible person or entity is the importer or CIF if this is the exporter. Then, the quotas of importation tax are applied ad valorem to the customs value<sup>4</sup>, according to the nomenclature code. The second tax applied is IPI that is also a selective tax because it varies according to the characteristics of the product, its quotas being defined at NCM. Thus, the customs value added import tax is applied<sup>5</sup>. Additionally, there are also two social contributions charged to foreign goods, PIS<sup>6</sup> and Cofins<sup>7</sup>, of 1,65% and 7,6% respectively, both applied to the Custom Value added of ICMS and both PIS and Cofins

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<sup>4</sup>  $Import\ Tax = TEC(\%) \times Custom\ Value$

<sup>5</sup>  $IPI = TIPI \times (Custom\ Value + IT)$

<sup>6</sup>  $PIS = 1,65\% \times (Custom\ Value + ICMS + PIS + Cofins)$

<sup>7</sup>  $Cofins = 7,6\% \times (Custom\ Value + ICMS + PIS + Cofins)$

contribution included. Finally, the ICMS aliquots vary among states, corresponding to 19% in RJ<sup>x</sup>. The following table presents a simulation of import taxes appliance<sup>xi</sup>:

Product	Beach Accessory	
NCM nomenclature		
Origin country	Portugal	
Custom Value	CIF	R\$ 30.000,00
<b>Taxes</b>		
Import Tax	35%	R\$ 10.500,00
IPI	0	0
ICMS	19%	R\$ 5.700,00
PIS	Formula	R\$ 495,00
Cofins	Formula	R\$ 2.580,00
<b>Other expenses</b>		
AFRMM	25% of freight	R\$ 900,00
Siscomex tax		R\$ 70,00
wharfage	port tariffs	R\$ 400,00
Storage	port tariffs, 0,47%	R\$ 141,00
Customs Broker		R\$ 300,00
Freight		R\$ 80,00
Insurance		R\$ 100,00
<b>Total</b>		R\$ 21.266,00

#### 14.4: Pricing strategy

##### Variable cost-plus pricing strategy

Variable cost	12,5
Fixed cost (1 <sup>st</sup> year)	37600
Expected units sales	43200

Unit cost	13,37	26,7%
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Mark up price	44,57
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<sup>i</sup> Economic Bulletin of Banco de Portugal

[http://www.bportugal.pt/pt-](http://www.bportugal.pt/pt-PT/EstudosEconomicos/Publicacoes/BoletimEconomico/Publicacoes/bol_verao13_p.pdf)

[PT/EstudosEconomicos/Publicacoes/BoletimEconomico/Publicacoes/bol\\_verao13\\_p.pdf](http://www.bportugal.pt/pt-PT/EstudosEconomicos/Publicacoes/BoletimEconomico/Publicacoes/bol_verao13_p.pdf)

<sup>ii</sup> Pordata

<http://www.pordata.pt/Portugal/Taxa+de+desemprego+total+e+por+sexo+%28percentagem%29-550>

<sup>iii</sup> Pordata

<http://www.pordata.pt/Portugal/Individuos+que+utilizam+computador+e+Internet+em+percentagem+do+total+de+individuos+por+grupo+etario-1139>

<sup>iv</sup> <http://www.jn.pt/blogs/nosnarede/archive/2012/12/18/ue-portugal-lidera-na-consulta-224-s-redes-sociais.aspx>

<sup>v</sup> <http://www.dadosefatos.turismo.gov.br/dadosefatos/anuario/>

<sup>vi</sup> [http://pt.wikipedia.org/wiki/Rio\\_de\\_Janeiro\\_%28cidade%29#Geografia](http://pt.wikipedia.org/wiki/Rio_de_Janeiro_%28cidade%29#Geografia)

<sup>vii</sup> Brazil Global Net (2010). “*Como exportar para o Brasil*”.

<http://thebrazilbusiness.com/article/importing-to-brazil>

<sup>viii</sup> <http://www.bes.pt/siteBES/cms.aspx?plg=b0e26edf-ba40-4577-b551-f2d1534b0d01>

<sup>ix</sup> Imposto sobre importações

<http://www.receita.fazenda.gov.br/aduana/rtts.htm#Tributa%C3%A7%C3%A3o>

<sup>x</sup> <http://www.tabelaicms.com/>

<sup>xi</sup> <http://www.receita.fazenda.gov.br/Aplicacoes/ATRJO/SimuladorImportacao/default>